

**UGU DISTRICT MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS**

for the year ended 30 June 2006

**REPORT OF THE CHIEF FINANCIAL OFFICER****1. INTRODUCTION**

It gives me great pleasure to present the financial position of Ugu District Municipality at 30 June 2006 and the results of its operations and cash flows for the year then ended.

The Statement of Financial Position at 30 June 2006 indicates an increase in Net Assets, a decrease in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increased Government Grant Reserve and the contribution to the Capital Replacement Reserve. The decrease in Non-current Liabilities is primarily as a result of a transfer of the short-term portion of a loan falling due in the next financial year.

The cash flows for the year ended 30 June 2006 reflect a net cash outflow of R25,10 million. Such outflow was utilised to extend the sanitation and water infrastructure to poor households.

**2. KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

**Financial Statement Ratios:**

INDICATOR	2006	2005
Surplus / (Deficit) before Appropriations	72,733,319	20,409,173
Surplus / (Deficit) at the end of the Year	26,070,956	48,355,213
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	23.92%	21.84%
Remuneration of Councillors	0.95%	0.80%
Bad Debts	1.27%	-0.34%
Collection Costs	0.21%	0.03%
Depreciation	6.20%	5.69%
Repairs and Maintenance	3.45%	2.33%
Interest Paid	2.33%	2.55%
Bulk Purchases	2.98%	2.54%
Contracted Services	1.99%	2.00%
Grants and Subsidies Paid	43.73%	51.27%
General Expenses	12.97%	11.28%
Current Ratio:		
Creditors Days	63	88
Debtors Days	104	115

### 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Ugu District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2006 are as follows:

DETAILS	Actual 2005/2006 R	Actual 2004/2005 R	Percentage Variance %	Budgeted 2005/2006 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	48,355,213	21,840,570	121.40%	-	-
Operating income for the year	434,330,826	401,261,873	8.24%	435,601,518	-0.29%
Appropriations for the year	(85,646,320)	(5,322,131)	1509.25%	-	-
	397,039,719	417,780,312	-4.96%	435,601,518	-8.85%
<b>Expenditure:</b>					
Operating expenditure for the year	361,597,507	380,852,700	-5.06%	435,611,517	-16.99%
Sundry transfers	9,371,255	(11,427,601)	-182.01%	-	-
Closing surplus / (deficit)	26,070,956	48,355,213	-46.08%	(9,999)	-
	397,039,719	417,780,312	-4.96%	435,601,518	-8.85%

#### 3.1 General Services:

This entails the management of infrastructure and other grants and the collection of regional services and establishment levies, which are used primarily for infrastructure development, local economic development and tourism marketing and development.

DETAILS	Actual 2005/2006 R	Actual 2004/2005 R	Percentage Variance %	Budgeted 2005/2006 R	Variance actual/ budgeted %
Income	223,717,345	201,353,620	11.11%	245,189,681	-8.76%
Expenditure	172,298,454	207,454,638	-16.95%	245,189,679	-29.73%
Surplus / (deficit)	51,418,891	(6,101,018)	-942.79%	2	-
Surplus / (deficit) as % of total income	22.98%	-3.03%		0.00%	

*Variance from 2004/2005 actual:*

The 11,11% increase on last year's actual income is primarily as a result of additional grant income received during the year. The 16,95% decrease on last year's actual expenditure is primarily as a result of less expenditure on projects, functions and tourism.

*Variance from 2005/2006 budget:*

The 8,76% decrease on last year's actual income is primarily as a result of certain capital grant budgets being reflected under this budget line in the new GRAP-format. The 29,73% decrease on last year's actual expenditure is primarily as a result of capital expenditure not reflecting in the Statement of Financial Performance in GRAP-format.

### 3.2 Economic Services:

This entails essentially the construction, operation and maintenance of sanitation schemes within the jurisdiction of the municipality.

DETAILS	Actual 2005/2006 R	Actual 2004/2005 R	Percentage Variance %	Budgeted 2005/2006 R	Variance actual/ budgeted %
Income	47,839,000	36,140,032	32.37%	46,991,851	1.80%
Expenditure	43,053,540	32,156,688	33.89%	46,991,852	-8.38%
Surplus / (deficit)	4,785,460	3,983,344	20.14%	(1)	-
Surplus / (deficit) as % of total income	10.00%	11.02%		0.00%	

#### *Variance from 2004/2005 actual:*

The 32,37% increase on last year's actual income is primarily as a result of additional properties being billed for sanitation. The 33,89% increase on last year's actual expenditure is primarily as a result of additional maintenance work being carried out which also resulted in increased overtime.

#### *Variance from 2005/2006 budget:*

The 1,80% increase on last year's actual income is primarily as a result of additional grant income received during the year. The 8,38% decrease on last year's actual expenditure is primarily as a result of less expenditure on projects, functions and tourism.

### 3.3 Trading Services:

This entails the construction, operation and maintenance of all water schemes located within the jurisdiction of the municipality.

DETAILS	Actual 2005/2006 R	Actual 2004/2005 R	Percentage Variance %	Budgeted 2005/2006 R	Variance actual/ budgeted %
Income	162,774,481	163,768,221	-0.61%	143,419,986	13.49%
Expenditure	146,245,514	141,241,374	3.54%	143,429,986	1.96%
Surplus / (deficit)	16,528,967	22,526,847	-26.63%	(10,000)	-
Surplus / (deficit) as % of total income	10.15%	13.76%		-0.01%	

#### *Variance from 2004/2005 actual:*

The variances are negligible and do not warrant explanation.

#### *Variance from 2005/2006 budget:*

The 13,49% increase on last year's actual income is partly as a result of an increase in penalty charges imposed for excessive water usage during the drought condition.

#### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R89 197 318 (2004/2005: R23 355 498). Full details of Property, Plant and Equipment are disclosed in note number 8 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R89 197 318 was financed as follows:

DETAILS	Actual 2005/2006 R	Actual 2004/2005 R	Percentage Variance %	Budgeted 2005/2006 R	Variance actual/ budgeted %
Capital Replacement Reserve	1,073,568	12,115,022	-91.14%	18,012,500	-94.04%
External Loans	7,549,590	-	0.00%	9,500,000	-20.53%
Finance Leases	2,632,691	483,598	444.40%	-	0.00%
Capitalisation Reserve	17,449,881	9,058,284	92.64%	-	0.00%
Grants and Subsidies	60,418,735	-	0.00%	5,487,000	1001.13%
Public Contributions	72,854	1,698,595	-95.71%	3,250,000	-97.76%
	89,197,318	23,355,498	281.91%	36,249,500	146.06%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2006	2005
Capital Replacement Reserve	1.20%	51.87%
External Loans	8.46%	0.00%
Finance Leases	2.95%	2.07%
Capitalisation Reserve	19.56%	38.78%
Grants and Subsidies	67.74%	0.00%
Public Contributions	0.08%	7.27%

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

## 5. RECONCILIATION OF BUDGET TO ACTUAL

### 5.1 Operating Budget:

DETAILS	2006	2005
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(9,999)	-
Revenue variances	(1,270,692)	(5,282,649)
Expenditure variances:		
Employee Related Costs	7,947,960	2,168,559
Remuneration of Councillors	(171,324)	442,561
Bad Debts	(1,596,712)	20,558,676
Collection Costs	(20,586)	(130,864)
Depreciation	(8,338,765)	(7,549,445)
Repairs and Maintenance	(2,316,622)	1,852,367
Interest Paid	12,962,288	12,335,657
Bulk Purchases	(1,762,952)	(1,669,022)
Contracted Services	2,557,800	(1,623,632)
Grants and Subsidies Paid	47,295,855	(16,097,869)
General Expenses	17,457,066	15,404,833
Actual surplus before appropriations	72,733,319	20,409,173

DETAILS	2006	2005
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(9,999)	-
Executive and Council	4,978,187	10,334,920
Finance and Administration	(1,669,033)	(1,384,337)
Planning and Development	48,109,735	(15,051,604)
Health	-	-
Community and Social Services	-	-
Housing	-	-
Public Safety	-	-
Sport and Recreation	-	-
Environmental Protection	-	-
Waste Management	4,785,461	3,983,347
Roads and Transport	-	-
Water	16,538,967	22,526,847
Electricity	-	-
Other	-	-
Actual surplus before appropriations	72,733,319	20,409,173

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

## 5.2 Capital Budget:

DETAILS	Actual 2005/2006 R	Actual 2004/2005 R	Variance actual 2006 / 2005 R	Budgeted 2005/2006 R	Variance actual/ budgeted R
Executive and Council	393,251	-	393,251	375,000	18,251
Finance and Administration	68,003,614	-	68,003,614	7,882,500	60,121,114
Planning and Development	311,324	-	311,324	300,000	11,324
Health	-	-	-	-	-
Community and Social Services	-	-	-	-	-
Housing	-	-	-	-	-
Public Safety	76,326	-	76,326	75,000	1,326
Sport and Recreation	-	-	-	-	-
Environmental Protection	-	-	-	-	-
Waste Management	10,247,500	-	10,247,500	13,087,000	(2,839,500)
Roads and Transport	-	-	-	-	-
Water	10,165,304	-	10,165,304	14,530,000	(4,364,696)
Electricity	-	-	-	-	-
Other	-	-	-	-	-
	89,197,318	-	89,197,318	36,249,500	52,947,818

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

## 6. CAPITAL REPLACEMENT RESERVE

The balance of the Capital Replacement Reserve as at 30 June 2006 amounted to R131 417 067 (30 June 2005: R107 343 302).

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The municipality is in the fortunate position to fund its own capital requirements at this stage and is therefore only dependant on external funds (external loans and grants) to finance its community based annual capital programme.

Refer to the Statement of Change in Net Assets for more detail.

## 7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2006 was R59 540 887 (30 June 2005: R62 308 313).

New loans to the amount of R10 794 574 was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note number 1 and Appendix "A" for more detail.

## 8. CURRENT LIABILITIES

Current Liabilities amounted R158 193 008 as at 30 June 2006 (30 June 2005: R172 972 867) and is made up as follows:

Consumer Deposits	Note number 3	13,423,837
Provisions	Note number 4	379,005
Creditors	Note number 5	62,014,261
Unspent Conditional Grants and Receipts	Note number 6	70,094,360
Bank Overdraft	Note number 15	-
Current Portion of Long-term Liabilities	Note number 1	12,281,545
		<u>158,193,008</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

## 9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R294 298 836 as at 30 June 2006 (30 June 2005: R227 530 359).

An audit of all movable fixed assets was done during the year during the process of compiling the electronic fixed asset register. As a result of this, assets had to be written down to the value of R2 188 239 in order to align the municipality's general ledger to the fixed asset register.

Refer to Note number 8 and Appendices "B, C and E (2)" for more detail.

## 10. INVESTMENTS

The municipality held Investments to the value of R12 817 734 as at 30 June 2006 (30 June 2005: R21 361 966).

These investments are ring-fenced for purposes of the security for and repayment of Long-term Liabilities, with the result that no amounts are available for own purposes.

Refer to Note number 9 for more detail.

## 11. LONG-TERM RECEIVABLES

Long-term Receivables of R18 370 at 30 June 2006 (30 June 2005: R34 347) is made up as follows:

Officials: Relocation Loans	43,955
Officials: Sundry Loans	<u>7,381</u>
	51,336
Less: Short-term portion included in Current Assets	<u>32,966</u>
	<u>18,370</u>

Refer to Note number 10 for more detail.

## 12. CURRENT ASSETS

Current Assets amounted R302 771 721 as at 30 June 2006 (30 June 2005: R315 165 211) and is made up as follows:

Inventory	Note number 11	3,446,233
Consumer Debtors	Note number 12	33,551,581
Other Debtors	Note number 13	45,597,892
Current Portion of Long-term Debtors	Note number 10	32,966
Short-term Investment Deposits	Note number 14	186,070,244
Bank Balances and Cash	Note number 15	26,145,610
VAT	Note number 7	7,927,194
		<u>302,771,721</u>

The Short-term Investment Deposits are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the Current Portion of Long-term Liabilities and no funds are available for own purposes.

Refer to the indicated Note numbers for more detail.

## 13. INTER-GOVERNMENTAL GRANTS

The municipality plays an important role in the upliftment of the poor and sustaining and improving of infrastructure for all its citizens for which it uses grants received from government and other organisations, and has a big responsibility as custodian of these funds.

Refer to Notes number 6 and 17, and Appendix "F" for more detail.

## 14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 38.

## 15. GENERALLY RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format.

The unbundling process was carried out as at 30 June 2005 and the intention was to furnish as much information as possible to ascertain a transparent disclosure of the conversion process.

## 16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager, Deputy Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff who assisted with the collation of year-end information, for without their assistance these Annual Financial Statements would not have been possible.

---

**CHIEF FINANCIAL OFFICER**

31 August 2006



**UGU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006**

	Note	2006 R	2005 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>392,172,766</b>	<b>328,810,702</b>
Capital Replacement Reserve		131,417,067	107,343,302
Capitalisation Reserve		93,096,628	85,497,632
Government Grant Reserve		131,695,368	76,830,856
Donations and Public Contribution Reserves		9,892,747	10,783,699
Accumulated Surplus / (Deficit)		26,070,956	48,355,213
<b>Non-Current Liabilities</b>		<b>59,540,887</b>	<b>62,308,313</b>
Long-term Liabilities	1	59,540,887	62,308,313
Non-current Provisions	2	-	-
<b>Current Liabilities</b>		<b>158,193,008</b>	<b>172,972,867</b>
Consumer Deposits	3	13,423,837	12,423,893
Provisions	4	379,005	358,931
Creditors	5	62,014,261	92,096,356
Unspent Conditional Grants and Receipts	6	70,094,360	45,716,266
Bank Overdraft	15	-	25
Current Portion of Long-term Liabilities	1	12,281,545	22,377,396
<b>Total Net Assets and Liabilities</b>		<b>609,906,661</b>	<b>564,091,883</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>307,134,940</b>	<b>248,926,671</b>
Property, Plant and Equipment	8	294,298,836	227,530,359
Investments	9	12,817,734	21,361,966
Long-term Receivables	10	18,370	34,347
<b>Current Assets</b>		<b>302,771,721</b>	<b>315,165,211</b>
Inventory	11	3,446,233	3,515,586
Consumer Debtors	12	33,551,581	34,479,367
Other Debtors	13	45,597,892	79,730,685
Current Portion of Long-term Debtors	10	32,966	27,884
Short-term Investment Deposits	14	186,070,244	136,613,878
Bank Balances and Cash	15	26,145,610	51,254,935
VAT	7	7,927,194	9,542,877
<b>Total Assets</b>		<b>609,906,661</b>	<b>564,091,883</b>

**UGU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006**

Budget				Actual	
2005	2006		Note	2006	2005
R	R			R	R
<b>REVENUE</b>					
163,861,764	165,741,612	Service Charges	16	182,934,973	176,457,663
17,185,033	19,000,000	Regional Service Levies - Turnover		14,961,970	14,269,507
10,770,167	14,075,086	Regional Service Levies - Remuneration		10,280,725	8,601,565
105,606	278,000	Rental of Facilities and Equipment		187,942	199,621
12,983,637	6,961,621	Interest Earned - External Investments		13,340,711	10,198,348
369,582	362,482	Interest Earned - Outstanding Debtors		616,575	723,981
177,342,227	200,399,185	Government Grants and Subsidies	17	185,743,805	160,116,859
23,926,506	28,783,532	Other Income	18	26,191,272	28,995,734
-	-	Public Contributions and Donations		72,854	1,698,595
<b>406,544,522</b>	<b>435,601,518</b>	<b>Total Revenue</b>		<b>434,330,826</b>	<b>401,261,873</b>
<b>EXPENDITURE</b>					
85,335,527	94,440,478	Employee Related Costs	19	86,492,518	83,166,968
3,478,664	3,249,340	Remuneration of Councillors	20	3,420,664	3,036,103
19,277,760	3,000,000	Bad Debts		4,596,712	(1,280,916)
-	750,000	Collection Costs		770,586	130,864
14,111,583	14,090,076	Depreciation		22,428,841	21,661,028
10,734,000	10,141,850	Repairs and Maintenance		12,458,472	8,881,633
22,060,391	21,376,594	Interest Paid	21	8,414,306	9,724,734
8,000,000	9,000,000	Bulk Purchases	22	10,762,952	9,669,022
5,993,300	9,770,581	Contracted Services		7,212,781	7,616,932
179,183,932	205,426,853	Grants and Subsidies Paid	23	158,130,998	195,281,801
58,369,365	64,365,745	General Expenses		46,908,679	42,964,532
<b>406,544,522</b>	<b>435,611,517</b>	<b>Total Expenditure</b>		<b>361,597,507</b>	<b>380,852,700</b>
-	<b>(9,999)</b>	<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>72,733,319</b>	<b>20,409,173</b>

Refer to Appendix E(1) for explanation of variances

**UGU DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006**

Description	Pre-GAMAP Reserves and Funds	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contr Reserve	Self Insurance Reserve	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R
<b>2005</b>										
Balance at 30 June 2004	163,344,123	-	-	85,575,491	82,461,594	10,075,614	-	-	21,840,570	185,184,693
Implementation of GAMAP (Note 26)	(163,344,123)	-	97,020,659	85,575,491	82,461,594	10,075,614	-	-	10,243,201	122,032,437
Change in Accounting Policy (Note 27)	-	-	-	-	-	-	-	-	-	-
Correction of Error (Note 28)	-	-	-	-	-	-	-	-	1,184,400	1,184,400
<b>Restated Balance</b>										
Surplus / (Deficit) for the year	-	-	-	-	-	-	-	-	33,268,171	308,401,529
Transfer to Housing Development Fund	-	-	-	-	-	-	-	-	20,409,173	20,409,173
Funds utilised to finance PPE	-	-	-	-	-	-	-	-	-	-
Transfer to CRR	-	-	15,000,000	-	-	-	-	-	(15,000,000)	-
Property, Plant and Equipment purchased	-	-	(12,115,022)	9,058,284	-	1,698,595	-	-	12,115,022	-
Contributions / Grants used to purchase PPE	-	-	-	-	-	-	-	-	(10,756,879)	-
Donated / Contributed PPE	-	-	-	-	-	-	-	-	-	-
Contribution to Insurance Reserve	-	-	-	-	-	-	-	-	-	-
Insurance claims processed	-	-	-	-	-	-	-	-	-	-
Interest received	-	-	7,437,665	-	-	-	-	-	(7,437,665)	-
Asset disposals	-	-	-	(9,136,143)	(5,630,738)	(990,510)	-	-	15,757,391	-
Offsetting of Depreciation	-	-	-	85,497,632	76,830,856	10,783,699	-	-	48,355,213	328,810,702
<b>Balance at 30 June 2005</b>			<b>107,343,302</b>	<b>85,497,632</b>	<b>76,830,856</b>	<b>10,783,699</b>				
<b>2006</b>										
Change in Accounting Policy (Note 27)	-	-	-	-	-	-	-	-	(9,371,255)	(9,371,255)
Correction of Error (Note 28)	-	-	-	-	-	-	-	-	38,983,958	319,439,447
<b>Restated Balance</b>										
Surplus / (Deficit) for the year	-	-	-	-	-	-	-	-	72,733,319	72,733,319
Transfer to Housing Development Fund	-	-	-	-	-	-	-	-	-	-
Funds utilised to finance PPE	-	-	-	-	-	-	-	-	-	-
Transfer to CRR	-	-	15,000,000	-	-	-	-	-	(15,000,000)	-
Property, Plant and Equipment purchased	-	-	(1,073,568)	17,449,881	60,418,735	72,854	-	-	1,073,568	-
Contributions / Grants used to purchase PPE	-	-	-	-	-	-	-	-	(77,941,470)	-
Donated / Contributed PPE	-	-	-	-	-	-	-	-	-	-
Contribution to Insurance Reserve	-	-	-	-	-	-	-	-	-	-
Insurance claims processed	-	-	-	-	-	-	-	-	-	-
Interest received	-	-	10,147,332	-	-	-	-	-	(10,147,332)	-
Asset disposals	-	-	-	(9,850,885)	(5,554,224)	(963,805)	-	-	16,368,914	-
Offsetting of Depreciation	-	-	-	93,096,628	131,695,368	9,892,747	-	-	26,070,956	392,172,766
<b>Balance at 30 June 2006</b>			<b>131,417,067</b>	<b>93,096,628</b>	<b>131,695,368</b>	<b>9,892,747</b>				

**UGU DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 R	2005 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		489,156,720	402,744,130
Cash paid to suppliers and employees		(377,847,108)	(356,720,680)
Cash generated from / (utilised in) operations	29	111,309,612	46,023,450
Interest received		13,957,286	10,922,329
Interest paid		(8,414,306)	(9,724,734)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>116,852,592</b>	<b>47,221,045</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(89,197,318)	(23,355,498)
(Increase) / decrease in non-current receivables		10,895	(32,900)
(Increase) / decrease in non-current investments		8,544,232	7,612,621
(Increase) / decrease in current investments		(49,456,366)	(27,255,122)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(130,098,557)</b>	<b>(43,030,899)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised / (repaid)		(12,863,278)	(3,012,303)
Increase / (decrease) in consumer deposits		999,944	1,570,498
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(11,863,335)</b>	<b>(1,441,805)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	30	<b>(25,109,300)</b>	<b>2,748,340</b>
Cash and cash equivalents at the beginning of the year		51,254,910	48,506,569
Cash and cash equivalents at the end of the year		26,145,610	51,254,910

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>1 LONG-TERM LIABILITIES</b>		
Local Registered Stock	22,944,081	22,944,081
Annuity Loans	35,477,283	28,595,226
Capitalised Lease Liabilities	13,401,067	13,146,403
Other Loans	-	20,000,000
Sub-total	<u>71,822,431</u>	<u>84,685,709</u>
Less: Current Portion transferred to Current Liabilities	12,281,545	22,377,396
Annuity Loans	1,308,417	177,704
Capitalised Lease Liabilities	10,973,128	2,199,692
Other Loans	-	20,000,000
<b>Total Long-term Liabilities</b>	<u><b>59,540,887</b></u>	<u><b>62,308,313</b></u>

(Refer to Appendix A for more detail on Long-term Liabilities.)

The Capitalised Lease Liabilities are in respect of infrastructure assets and vehicles. The liability for infrastructure is secured over the items of infrastructure leased.

R22 912 069 (2005: R28 261 169) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See Note 29 for more detail.

**2 NON-CURRENT PROVISIONS**

No Non-current Provisions have been established.

**3 CONSUMER DEPOSITS**

Water	13,423,837	12,423,893
<b>Total Consumer Deposits</b>	<u><b>13,423,837</b></u>	<u><b>12,423,893</b></u>
<b>Guarantees held in lieu of Water Deposits</b>	<u><b>554,463</b></u>	<u><b>542,614</b></u>

**4 PROVISIONS**

Performance Bonus	379,005	358,931
<b>Total Provisions</b>	<u><b>379,005</b></u>	<u><b>358,931</b></u>

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in current provisions are reconciled as follows:

**Performance Bonus**

Balance at beginning of year	358,931	332,806
Contributions to provision	312,919	300,980
Expenditure incurred	(292,845)	(274,855)
<b>Balance at end of year</b>	<u><b>379,005</b></u>	<u><b>358,931</b></u>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>5 CREDITORS</b>		
Trade Creditors	9,935,100	8,963,768
Payments received in Advance	8,122,349	11,960,710
Retentions	1,353,898	3,342,663
Staff Leave	3,890,300	4,245,199
Sundry Deposits	-	4,210
Projects	25,955,927	58,948,067
Other Creditors	12,756,688	4,631,739
<b>Total Creditors</b>	<b><u>62,014,261</u></b>	<b><u>92,096,356</u></b>

**6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**6.1 Conditional Grants from Other Spheres of Government**

	<b>64,031,753</b>	<b>43,523,184</b>
National Government Grants	49,212,678	32,201,173
Provincial Government Grants	13,609,241	10,001,855
Other Sources	1,209,833	1,320,155

**6.2 Other Conditional Receipts**

	<b>6,062,607</b>	<b>2,193,082</b>
Developers Contributions	6,062,607	2,193,082

<b>Total Conditional Grants and Receipts</b>	<b><u>70,094,360</u></b>	<b><u>45,716,266</u></b>
--	--------------------------	--------------------------

See Note 17 for the reconciliation of grants from other spheres of government.

The amount for unspent conditional grants and receipts are invested in ring-fenced investment accounts until utilised.

**7 VAT**

Vat Receivable / (Payable)	<b><u>7,927,194</u></b>	<b><u>9,542,877</u></b>
----------------------------	-------------------------	-------------------------

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

**8 PROPERTY, PLANT AND EQUIPMENT**

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2007. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2007.

**30 June 2006**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
<b>Carrying values at 1 July 2005</b>								
Cost	15,315,271	184,592,897	9,451,153	-	18,171,038	-	-	227,530,359
Correction of error (Note 33)	19,262,403	316,584,608	9,905,407	-	44,155,055	-	-	389,907,474
Revaluation	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(3,947,132)	(131,991,711)	(454,255)	-	(25,984,018)	-	-	(162,377,116)
- Cost	(3,947,132)	(131,991,711)	(454,255)	-	(25,984,018)	-	-	(162,377,116)
- Revaluation	-	-	-	-	-	-	-	-
<b>Acquisitions</b>								
Capital under Construction	400,033	62,469,001	12,387,707	-	13,940,577	-	-	89,197,318
Increases / Decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation:	(554,193)	(14,878,755)	(147,696)	-	(6,848,197)	-	-	(22,428,841)
- based on cost	(554,193)	(14,878,755)	(147,696)	-	(6,848,197)	-	-	(22,428,841)
- based on revaluation	-	-	-	-	-	-	-	-
<b>Carrying value of disposals:</b>								
Cost / Revaluation	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Impaired Losses	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2006</b>								
Cost	15,161,111	232,183,143	21,691,164	-	25,263,418	-	-	294,298,836
Revaluation	19,662,436	379,053,609	22,293,114	-	58,095,633	-	-	479,104,793
Accumulated Depreciation:	(4,501,325)	(146,870,466)	(601,950)	-	(32,832,215)	-	-	(184,805,956)
- Cost	(4,501,325)	(146,870,466)	(601,950)	-	(32,832,215)	-	-	(184,805,956)
- Revaluation	-	-	-	-	-	-	-	-

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

30 June 2005

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
<b>Carrying values at 1 July 2004</b>	<b>14,592,500</b>	<b>189,016,201</b>	<b>2,793,910</b>	<b>-</b>	<b>19,433,277</b>	<b>-</b>	<b>-</b>	<b>225,835,888</b>
Cost	18,008,149	306,180,357	3,100,469	-	39,263,001	-	-	366,551,976
Revaluation	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(3,415,649)	(117,164,156)	(306,559)	-	(19,829,724)	-	-	(140,716,088)
- Cost	(3,415,649)	(117,164,156)	(306,559)	-	(19,829,724)	-	-	(140,716,088)
- Revaluation	-	-	-	-	-	-	-	-
<b>Acquisitions</b>	<b>1,254,255</b>	<b>10,404,252</b>	<b>6,804,938</b>	<b>-</b>	<b>4,892,054</b>	<b>-</b>	<b>-</b>	<b>23,355,498</b>
Capital under Construction	-	-	-	-	-	-	-	-
Increases / Decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation:	(531,483)	(14,827,555)	(147,696)	-	(6,154,294)	-	-	(21,661,028)
- based on cost	(531,483)	(14,827,555)	(147,696)	-	(6,154,294)	-	-	(21,661,028)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals:	-	-	-	-	-	-	-	-
Cost / Revaluation	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Impaired Losses	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2005</b>	<b>15,315,271</b>	<b>184,592,897</b>	<b>9,451,153</b>	<b>-</b>	<b>18,171,038</b>	<b>-</b>	<b>-</b>	<b>227,530,359</b>
Cost	19,262,403	316,584,608	9,905,407	-	44,155,055	-	-	389,907,474
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(3,947,132)	(131,991,711)	(454,255)	-	(25,984,018)	-	-	(162,377,116)
- Cost	(3,947,132)	(131,991,711)	(454,255)	-	(25,984,018)	-	-	(162,377,116)
- Revaluation	-	-	-	-	-	-	-	-

(Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.)

The leased property, plant and equipment is secured as set out in Note 2.



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>9 INVESTMENTS</b>		
<b>Listed</b>		
RSA Government Stock	-	-
<b>Unlisted</b>		
Local Authority Stock	-	-
<b>Financial Instruments</b>		
Fixed Deposits	12,817,734	21,361,966
<b>Total Investments</b>	<b>12,817,734</b>	<b>21,361,966</b>

Fixed Deposits of R12 817 734 (2005: R21 361 966) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 29.

**10 LONG-TERM RECEIVABLES**

Officials: Relocation Loans	43,955	48,850
Sundry Loans	7,381	13,381
	51,336	62,231
Less: Current Portion transferred to Current Receivables	32,966	27,884
Officials: Relocation Loans	26,966	21,884
Sundry Loans	6,000	6,000
<b>Total Long-term Receivables</b>	<b>18,370</b>	<b>34,347</b>

**RELOCATION LOANS**

Relocation Loans granted to officials are expensed after 36 months' service in the municipality. A pro rata amount is recovered should an official leave the service of the municipality within the 36 month period.

**SUNDRY LOANS**

A Sundry Loan was granted to an official for damages caused to municipal property. The debt is repaid by monthly deductions of R500.

**11 INVENTORY**

Maintenance Materials - at cost	2,939,889	3,018,917
Water - at cost	506,344	496,669
<b>Total Inventory</b>	<b>3,446,233</b>	<b>3,515,586</b>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

		2006 R	2005 R
<b>12 CONSUMER DEBTORS</b>			
	<b>Gross Balances</b>	<b>Provision for Bad Debts</b>	<b>Net Balance</b>
<b>As at 30 June 2006</b>			
Service Debtors:	55,594,815	22,043,233	33,551,581
Sewerage	7,399,417	2,764,632	4,634,785
Water	48,195,398	19,278,601	28,916,797
<b>Total Consumer Debtors</b>	<b>55,594,815</b>	<b>22,043,233</b>	<b>33,551,581</b>
<b>As at 30 June 2005</b>			
Service Debtors:	51,909,821	17,430,454	34,479,367
Sewerage	6,236,654	2,395,915	3,840,739
Water	45,673,167	15,034,540	30,638,628
<b>Total Consumer Debtors</b>	<b>51,909,821</b>	<b>17,430,454</b>	<b>34,479,367</b>
<b>Sewerage: Ageing</b>			
Current (0 - 30 days)		3,738,390	2,623,576
31 - 60 Days		576,874	793,697
61 - 90 Days		319,521	254,742
+ 90 Days		2,764,632	2,564,639
<b>Total</b>		<b>7,399,417</b>	<b>6,236,654</b>
<b>Water: Ageing</b>			
Current (0 - 30 days)		18,254,970	16,188,079
31 - 60 Days		2,128,925	2,225,885
61 - 90 Days		1,278,977	1,096,018
+ 90 Days		26,532,526	26,163,185
<b>Total</b>		<b>48,195,398</b>	<b>45,673,167</b>
<b>Summary of Debtors by Customer Classification</b>			
	<b>Consumers</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>
<b>30 June 2006</b>	<b>R</b>	<b>R</b>	<b>R</b>
Current (0 - 30 days)	-	-	-
31 - 60 Days	-	-	-
61 - 90 Days	-	-	-
+ 90 Days	-	-	-
Sub-total	-	-	-
Less: Provision for bad debts	-	-	-
<b>Total Debtors by Customer Classification</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Summary of Debtors by Customer Classification</b>			
	<b>Consumers</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>
<b>30 June 2005</b>	<b>R</b>	<b>R</b>	<b>R</b>
Current (0 - 30 days)	-	-	-
31 - 60 Days	-	-	-
61 - 90 Days	-	-	-
+ 90 Days	-	-	-
Sub-total	-	-	-
Less: Provision for bad debts	-	-	-
<b>Total Debtors by Customer Classification</b>	<b>-</b>	<b>-</b>	<b>-</b>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
The Customer Classification cannot be provided as the Custima Billing System used by the municipality is not set-up to generate reports in this format.		
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	17,430,454	19,893,942
Contribution / (Reversal) to provision	4,596,712	4,309,499
Bad Debts written off / recovered	16,068	(6,772,987)
<b>Balance at end of year</b>	<b><u>22,043,233</u></b>	<b><u>17,430,454</u></b>

**13 OTHER DEBTORS**

Payments made in Advance	58,316	-
Short Term Loans	309,168	338,581
Sundry Deposits	313,586	598,672
Sundry Debtors	11,498,488	31,320,674
Government Subsidy Claims	33,418,334	47,472,759
<b>Total Other Debtors</b>	<b><u>45,597,892</u></b>	<b><u>79,730,685</u></b>

**14 SHORT-TERM INVESTMENT DEPOSITS**

Call Deposits	14,975,909	7,106,342
Notice Deposits	161,000,000	122,608,333
Short-term Portion of Investments	10,094,335	6,899,203
<b>Total Short-term Investment Deposits</b>	<b><u>186,070,244</u></b>	<b><u>136,613,878</u></b>

Deposits of R70 094 360 (2005: R45 716 266) are ring-fenced and attributable to Unspent Conditional Grants.

Deposits of R105 466 406 (2005: R83 998 409) are ring-fenced and attributable to the Capital Replacement Reserve.

R10 094 335 (2005: R6 899 203) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See Note 29 for more detail.

**15 BANK, CASH AND OVERDRAFT BALANCES**

The Municipality has the following bank accounts:

**First National Bank - Port Shepstone**

*Account Number 534 8085 2369 (Primary Bank Account):*

Cash book balance at beginning of year	2,806,143	1,788,095
Cash book balance at end of year	<u>1,485,564</u>	<u>2,806,143</u>
Bank statement balance at beginning of year	13,116,396	3,874,541
Bank statement balance at end of year	<u>9,982,224</u>	<u>13,116,396</u>

*Account Number 620 1194 3398 (ACB Deposits Account):*

Cash book balance at beginning of year	440,556	312,094
Cash book balance at end of year	<u>471,936</u>	<u>440,556</u>
Bank statement balance at beginning of year	440,556	312,094
Bank statement balance at end of year	<u>471,936</u>	<u>440,556</u>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<i>Account Number 534 8801 7494 (Direct Deposits Account):</i>		
Cash book balance at beginning of year	150,600	225,009
Cash book balance at end of year	<u>673,225</u>	<u>150,600</u>
Bank statement balance at beginning of year	228,382	225,009
Bank statement balance at end of year	<u>673,225</u>	<u>228,382</u>
<i>Account Number 534 8801 7717 (Salaries Account):</i>		
Cash book balance at beginning of year	46,762	(54,389)
Cash book balance at end of year	<u>470,965</u>	<u>46,762</u>
Bank statement balance at beginning of year	93,831	46,480
Bank statement balance at end of year	<u>534,958</u>	<u>93,831</u>
<i>Account Number 620 1101 7680 (Levy Deposits Account):</i>		
Cash book balance at beginning of year	377,817	345,345
Cash book balance at end of year	<u>432,660</u>	<u>377,817</u>
Bank statement balance at beginning of year	377,817	345,345
Bank statement balance at end of year	<u>432,660</u>	<u>377,817</u>
<i>Account Number 620 4701 3157 (CMIP Grant Account):</i>		
Cash book balance at beginning of year	1,040,464	27,633,782
Cash book balance at end of year	<u>(0)</u>	<u>1,040,464</u>
Bank statement balance at beginning of year	1,040,464	27,920,410
Bank statement balance at end of year	<u>-</u>	<u>1,040,464</u>
<i>Account Number 620 1457 3332 (DPW Grant Account):</i>		
Cash book balance at beginning of year	(25)	2,287,610
Cash book balance at end of year	<u>-</u>	<u>(25)</u>
Bank statement balance at beginning of year	(25)	345,345
Bank statement balance at end of year	<u>-</u>	<u>(25)</u>
<i>Account Number 534 8109 8673 (Ugu RDP DWAF Project Account):</i>		
Cash book balance at beginning of year	43,181,974	11,164,894
Cash book balance at end of year	<u>21,381,863</u>	<u>43,181,974</u>
Bank statement balance at beginning of year	2,413,589	259,868
Bank statement balance at end of year	<u>9,836,165</u>	<u>2,413,589</u>
<i>Account Number 620 5649 9653 (Afrisun Project Account):</i>		
Cash book balance at beginning of year	39,478	-
Cash book balance at end of year	<u>38,973</u>	<u>39,478</u>
Bank statement balance at beginning of year	39,478	39,778
Bank statement balance at end of year	<u>38,973</u>	<u>39,478</u>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<i>Account Number 620 3279 1289 (Ezingolweni Taxi Disaster Account):</i>		
Cash book balance at beginning of year	7,321	-
Cash book balance at end of year	<u>6,991</u>	<u>7,321</u>
Bank statement balance at beginning of year	7,321	7,875
Bank statement balance at end of year	<u>6,991</u>	<u>7,321</u>
 <b>Standard Bank - Port Shepstone Branch</b>		
<i>Account Number 05 330 000 9 (Direct Deposits Account):</i>		
Cash book balance at beginning of year	39,738	82,806
Cash book balance at end of year	<u>56,052</u>	<u>39,738</u>
Bank statement balance at beginning of year	39,738	82,806
Bank statement balance at end of year	<u>56,052</u>	<u>39,738</u>
 <i>Account Number 05 330 662 7 (Group Life Scheme Account):</i>		
Cash book balance at beginning of year	2,994,724	1,028,517
Cash book balance at end of year	<u>884,377</u>	<u>2,994,724</u>
Bank statement balance at beginning of year	2,994,724	1,028,517
Bank statement balance at end of year	<u>884,377</u>	<u>2,994,724</u>
 <i>Account Number 05 331 360 7 (DPW Grant No 2 Account):</i>		
Cash book balance at beginning of year	-	3,307,947
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	26,620	345,345
Bank statement balance at end of year	<u>-</u>	<u>26,620</u>
 Cash Floats and Advances	243,004	129,359
Other Cash Equivalents	-	-
Cash on hand in Cash Floats and Advances	<u>243,004</u>	<u>129,359</u>
 Total Bank and Cash	26,145,610	51,254,935
Total Overdraft	-	(25)
<b>Total Bank and Cash</b>	<u><b>26,145,610</b></u>	<u><b>51,254,910</b></u>
 <b>16 SERVICE CHARGES</b>		
Sale of Water	150,173,559	150,293,603
Sewerage and Sanitation Charges	32,761,414	26,164,060
<b>Total Service Charges</b>	<u><b>182,934,973</b></u>	<u><b>176,457,663</b></u>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>17 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Provincial Equitable Share	55,580,925	36,343,378
Department of Local Government and Traditional Affairs	1,097,873	(370,676)
Department of Water and Forests	586,000	721,625
Municipal Infrastructure Unit	404,432	141,394
<b>Conditional Grants</b>	<b>128,074,575</b>	<b>123,281,138</b>
National FMG Grant	262,312	167,276
National Provincial and Local Government Grants	3,364,087	1,390,893
National MIG Grants	103,694,881	97,187,584
National DWAF Grants	447,854	18,138,255
Provincial Agriculture Grants	8,000,000	-
Provincial Art and Culture Grants	387,563	-
Provincial Public Works Grants	(25)	2,089,924
Provincial Sport and Recreation Grants	2,001,514	2,999,157
Provincial Transport Grants	1,488	318,904
Provincial Local Government and Traditional Affairs Grants	9,496,655	903,336
Provincial Tourism Grants	67,368	-
Other Spheres of Government Grants	350,877	85,809
<b>Total Government Grants and Subsidies</b>	<b>185,743,805</b>	<b>160,116,859</b>

**17.1 Provincial: Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.

**17.2 National: Finance Management Grant (FMG)**

Balance unspent at beginning of year	934,132	1,037,500
Current year receipts	56,208	63,909
Conditions met - transferred to revenue	(262,312)	(167,276)
Conditions still to be met - transferred to liabilities (see note 6)	<b>728,028</b>	<b>934,132</b>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

**17.3 National: Local Government Grants**

Balance unspent at beginning of year	7,150,286	3,484,689
Current year receipts	1,573,027	5,056,490
Conditions met - transferred to revenue	(3,364,087)	(1,390,893)
Conditions still to be met - transferred to liabilities (see note 6)	<b>5,359,226</b>	<b>7,150,286</b>

Various grants are paid by National Local Government help implement the IDP, PMS and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA), 2000. No funds have been withheld.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>17.4 National: MIG Grants</b>		
Balance unspent at beginning of year	23,497,660	-
Current year receipts	120,504,992	120,685,244
Conditions met - transferred to revenue	(103,694,881)	(97,187,584)
Conditions still to be met - transferred to liabilities (see note 6)	<u>40,307,771</u>	<u>23,497,660</u>

Grants from MIG are aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

**17.5 National: Water and Forests Grant (DAWF)**

Balance unspent at beginning of year	619,095	17,779,266
Current year receipts	2,646,412	978,084
Conditions met - transferred to revenue	(447,854)	(18,138,255)
Conditions still to be met - transferred to liabilities (see note 6)	<u>2,817,653</u>	<u>619,095</u>

DAWF grants are aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

**17.6 Provincial: CMIP Grants**

Balance unspent at beginning of year	(0)	6,771,309
Current year receipts	-	(6,771,309)
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 6)	<u>(0)</u>	<u>(0)</u>

CMIP, now MIG, grants are aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

**17.7 Provincial - Agriculture Grants**

Balance unspent at beginning of year	-	-
Current year receipts	8,000,000	-
Conditions met - transferred to revenue	(8,000,000)	-
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>-</u>

The KZN Department of Agriculture and Environmental Affairs contributed towards the construction of certain facilities and services within the Ugu Agricultural Market by way of this grant. No funds were withheld.

**17.8 Provincial - Arts and Culture Grants**

Balance unspent at beginning of year	387,563	-
Current year receipts	-	387,563
Conditions met - transferred to revenue	(387,563)	-
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>387,563</u>

This funding was provided by the KZN Department of Arts, Culture and Tourism to assist the youth hosting a HIV/AIDS Awareness Day and to commemorate the Day of Reconciliation as per the National Calendar. No funds were withheld.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>17.9 Provincial - Public Works Grants</b>		
Balance unspent at beginning of year	2,002,176	3,962,219
Current year receipts - included in roads maintenance vote	-	129,881
Conditions met - transferred to revenue	25	(2,089,924)
Conditions still to be met - transferred to liabilities (see note 6)	<u>2,002,201</u>	<u>2,002,176</u>

Public Works Grants are utilised to construct or upgrade various infrastructure of informal settlement areas within the municipal district through utilising labour intensive construction methods in order to maximise job creation for local communities and opportunities for emerging contractors. No funds were withheld.

**17.10 Provincial - Sport and Recreation Grants**

Balance unspent at beginning of year	2,586,588	2,122,643
Current year receipts	1,508,258	3,463,101
Conditions met - transferred to revenue	(2,001,514)	(2,999,157)
Conditions still to be met - transferred to liabilities (see note 6)	<u>2,093,331</u>	<u>2,586,588</u>

The purpose of the grant received from the Department of Sport and Recreation is to promote mass participation of a number of selected sport codes and related activities within disadvantaged communities in conjunction with other recreation federations. No funds were withheld.

**17.11 Provincial: Transport Grants**

Balance unspent at beginning of year	14,482	33,386
Current year receipts	389,087	300,000
Conditions met - transferred to revenue	(1,488)	(318,904)
Conditions still to be met - transferred to liabilities (see note 6)	<u>402,080</u>	<u>14,482</u>

This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000. No funds were withheld.

**17.12 Provincial - Local Government and Traditional Affairs Grants**

Balance unspent at beginning of year	4,940,821	5,312,039
Current year receipts	13,024,385	532,118
Conditions met - transferred to revenue	(9,496,655)	(903,336)
Conditions still to be met - transferred to liabilities (see note 6)	<u>8,468,552</u>	<u>4,940,821</u>

Grants received from DLGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. No funds were withheld.

**17.13 Provincial - Tourism Grants**

Balance unspent at beginning of year	70,226	65,816
Current year receipts	640,220	4,410
Conditions met - transferred to revenue	(67,368)	-
Conditions still to be met - transferred to liabilities (see note 6)	<u>643,077</u>	<u>70,226</u>

The European Community represented by the Department of Economic Development (Gijima Kzn) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>17.14 Other Government: DBSA</b>		
Balance unspent at beginning of year	1,320,155	-
Current year receipts	240,555	1,405,964
Conditions met - transferred to revenue	(350,877)	(85,809)
Conditions still to be met - transferred to liabilities (see note 6)	<u>1,209,833</u>	<u>1,320,155</u>

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

**17.15 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (2006), government grant funding is expected to increase over the two years 2006/2007 and 2007/2008.

**18 OTHER INCOME**

Sundry Services Rendered	4,140,772	3,952,242
Levy Income Contributed	814,291	2,233,289
Uncommitted Income	14,937,284	12,272,343
Other Income	6,298,925	10,537,861
<b>Total Other Income</b>	<u>26,191,272</u>	<u>28,995,734</u>

**19 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	52,201,094	51,774,153
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	12,781,061	12,096,670
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	9,934,280	8,419,587
Housing Benefits and Allowances	680,306	756,166
Overtime Payments	10,516,771	9,761,461
Performance Bonuses	379,005	358,931
<b>Total Employee Related Costs</b>	<u>86,492,518</u>	<u>83,166,968</u>

There were no advances to employees. Loans to employees are set out in Note 10.

**Remuneration of the Municipal Manager**

Annual Remuneration	631,595	608,212
Car Allowance	157,327	142,512
Performance Bonus	69,287	65,058
Company Contributions to UIF, Medical and Pension Funds	77,667	104,269
<b>Total</b>	<u>935,876</u>	<u>920,051</u>

**Remuneration of the Deputy Municipal Manager**

Annual Remuneration	484,810	409,557
Car Allowance	122,931	122,491
Performance Bonus	43,554	40,343
Company Contributions to UIF, Medical and Pension Funds	66,820	65,690
<b>Total</b>	<u>718,116</u>	<u>638,081</u>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b><i>Remuneration of the Chief Financial Officer</i></b>		
Annual Remuneration	459,484	380,892
Car Allowance	118,819	120,107
Performance Bonus	56,574	39,309
Company Contributions to UIF, Medical and Pension Funds	80,378	79,448
<b>Total</b>	<b><u>715,255</u></b>	<b><u>619,757</u></b>

<b><i>Remuneration of the General Manager: Corporate Services</i></b>		
Annual Remuneration	447,365	400,426
Car Allowance	90,452	113,434
Performance Bonus	44,127	53,121
Company Contributions to UIF, Medical and Pension Funds	12,944	56,885
<b>Total</b>	<b><u>594,888</u></b>	<b><u>623,865</u></b>

The GM: Corporate Services resigned from the municipality, effective from 01 April 2006. The Deputy Municipal Manager acted in this position. The post was still vacant as at 30 June 2006.

<b><i>Remuneration of the General Manager: Planning and Environmental Services</i></b>		
Annual Remuneration	399,330	393,944
Car Allowance	124,188	139,617
Performance Bonus	35,189	39,841
Company Contributions to UIF, Medical and Pension Funds	5,808	75,149
<b>Total</b>	<b><u>564,515</u></b>	<b><u>648,551</u></b>

The GM: Planning and Environmental Services resigned from the municipality, effective from 01 July 2005. The Special Advisor acted in this position until the new incumbent commenced employment on 12 September 2005.

<b><i>Remuneration of the General Manager: Water Services</i></b>		
Annual Remuneration	524,658	425,437
Car Allowance	127,380	113,380
Performance Bonus	44,114	37,184
Company Contributions to UIF, Medical and Pension Funds	6,365	15,102
<b>Total</b>	<b><u>702,516</u></b>	<b><u>591,103</u></b>

The GM: Water Services resigned from the municipality, effective from 30 June 2004. The new incumbent commenced employment on 03 September 2004.

<b><i>Remuneration of the Special Advisor</i></b>		
Annual Remuneration	362,797	239,288
Car Allowance	109,489	111,457
Performance Bonus	-	-
Company Contributions to UIF, Medical and Pension Funds	5,441	64,023
<b>Total</b>	<b><u>477,727</u></b>	<b><u>414,768</u></b>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>20 REMUNERATION OF COUNCILLORS</b>		
Mayor	452,831	392,082
Deputy Mayor	379,604	324,827
Speaker	240,407	286,598
Executive Committee Members	863,939	994,906
Councillors	1,483,883	1,037,689
<b>Total Councillors' Remuneration</b>	<b><u>3,420,664</u></b>	<b><u>3,036,103</u></b>

During the year under review the overpayment of Councillor Allowances to the Speaker and a member of the Executive Committee was brought to the attention of management. The overpayments during the period March 2003 to December 2005, totalling R301 695, have been recovered and receipted against the current year's Councillors' Allowances.

***In-kind Benefits***

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and shared secretarial support at the cost of the Municipality. Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has one full-time bodyguard and one full-time driver.

**Certification by the Municipal Manager**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**Signed: Municipal Manager**

<b>21 INTEREST PAID</b>		
Long-term Liabilities	8,345,869	9,703,384
Finance Leases	68,436	21,350
<b>Total Interest on External Borrowings</b>	<b><u>8,414,306</u></b>	<b><u>9,724,734</u></b>
<b>22 BULK PURCHASES</b>		
Water	10,762,952	9,669,022
<b>Total Bulk Purchases</b>	<b><u>10,762,952</u></b>	<b><u>9,669,022</u></b>
<b>23 GRANTS AND SUBSIDIES PAID</b>		
Low Income Subsidy	23,208,128	23,650,523
Community Projects	129,746,338	169,586,072
Drought Relief	2,803,488	-
Other Benevolent Organisations and Grants-in-Aid	2,373,044	2,045,206
<b>Total Grants and Subsidies</b>	<b><u>158,130,998</u></b>	<b><u>195,281,801</u></b>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>24 GENERAL EXPENSES</b>		
No extra-ordinary expenses were incurred.		
<b>25 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:-		
<i>25.1 Statutory Funds</i>		
<b>Balance previously reported:-</b>		
Levy Funds		27,664,580
Capital Development Fund		97,020,659
Loan Redemption Fund		19,000,667
Renewals Fund		2,455,620
Capital Reserve Fund		17,202,596
<b>Total</b>		<b><u>163,344,123</u></b>
<b>Implementation of GAMAP:-</b>		
Transferred to the Capital Replacement Reserve		97,020,659
Transferred to Accumulated Surplus/(Deficit) - (See 25.21 below)		66,323,464
Levy Funds		27,664,580
Loan Redemption Fund		19,000,667
Renewals Fund		2,455,620
Capital Reserve Fund		17,202,596
<b>Total</b>		<b><u>163,344,123</u></b>
<i>25.2 Loans Redeemed and Other Capital Receipts</i>		
<b>Balance previously reported:-</b>		<b><u>217,641,247</u></b>
<b>Implementation of GAMAP:-</b>		
Transferred to Capitalisation Reserve		85,575,491
Transferred to Government Grant Reserve		82,461,594
Transferred to Donations and Public Contributions Reserve		10,075,614
Transferred to Unspent Conditional Grants - Developers' Contributions (See 25.8 below)		502,571
Transferred to Accumulated Surplus/(Deficit) (See 25.21 below)		39,025,977
<b>Total</b>		<b><u>217,641,247</u></b>
<i>25.3 Reserves</i>		
<b>Balance previously reported:-</b>		<b><u>87,893,494</u></b>
<b>Implementation of GAMAP:-</b>		
Transferred to Unspent Conditional Grants (See 25.8 below)		40,568,867
Transferred to Accumulated Surplus/(Deficit) (See 25.21 below)		47,324,627
<b>Total</b>		<b><u>87,893,494</u></b>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>25.4 Long-term Liabilities</b>		
<b>Balance previously reported:-</b>		<b>98,069,944</b>
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Internal Funds Local Authorities transferred to Creditors (See 25.7 below)		(10,371,932)
<b>Long-term Liabilities as at 30 June 2004 restated to comply with GAMAP</b>		<b><u>87,698,013</u></b>
<b>25.5 Consumer Deposits</b>		
<b>Balance previously reported:-</b>		<b><u>10,853,395</u></b>
<b>Implementation of GAMAP:-</b>		<b><u>10,853,395</u></b>
<b>25.6 Provisions</b>		
<b>Balance previously reported:-</b>		<b>3,906,860</b>
Leave Provision		<u>3,906,860</u>
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Provision for Accrued Leave Pay transferred to Creditors (See 25.7 below)		(3,906,860)
Provision for Performance Bonuses transferred from Creditors (See 25.7 below)		332,806
<b>Provisions as at 30 June 2004 restated to comply with GAMAP</b>		<b><u>332,806</u></b>
<b>25.7 Creditors</b>		
<b>Balance previously reported:-</b>		<b>73,462,420</b>
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Internal Funds Local Authorities transferred from Long-term Liabilities (See 25.4 above)		10,371,932
Staff Leave transferred from Provisions (See 25.6 above)		3,906,860
Performance Bonuses transferred to Provisions (See 25.6 above)		(332,806)
VAT balances transferred to VAT (See 25.9 below)		(7,704,598)
<b>Creditors as at 30 June 2004 restated to comply with GAMAP</b>		<b><u>79,703,807</u></b>
<b>25.8 Unspent Conditional Grants</b>		
<b>Balance previously reported:-</b>		<b>-</b>
<b>Plus/(Minus): Implementation of GAMAP</b>		
Add: Balances now to be included under GAMAP:-		
Unspent Conditional Grants transferred from LROCR (See 25.2 above)		502,571
Unspent Conditional Grants transferred from Reserves (See 25.3 above)		40,568,867
<b>Unspent Conditional Grants as at 30 June 2004 restated to comply with GAMAP</b>		<b><u>41,071,438</u></b>
<b>25.9 V.A.T.</b>		
<b>Balance previously reported:-</b>		<b>-</b>
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
VAT balances transferred from Debtors (See 25.14 below)		10,012,414
VAT balances transferred from Creditors (See 25.7 above)		(7,704,598)
<b>VAT as at 30 June 2004 restated to comply with GAMAP</b>		<b><u>2,307,816</u></b>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>25.10 Investments</b>		
<b>Balance previously reported:-</b>		24,978,219
<b>Plus/(Minus): Implementation of GAMAP</b>		
Accrued Interest transferred from Debtors (See 25.14 below)		3,996,368
<b>Investments as at 30 June 2004 restated to comply with GAMAP</b>		<u><b>28,974,587</b></u>
 <b>25.11 Long-term Receivables</b>		
<b>Balance previously reported:-</b>		-
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Amount transferred from Debtors (See 25.14 below)		29,331
<b>Long-term Receivables as at 30 June 2004 restated to comply with GAMAP</b>		<u><b>29,331</b></u>
 <b>25.12 Deferred Charges</b>		
<b>Balance previously reported:-</b>		<u><b>29,731</b></u>
<b>Implementation of GAMAP:-</b>		
Transferred to Debtors (See 25.14 below)		29,731
<b>Total</b>		<u><b>29,731</b></u>
 <b>25.13 Inventory</b>		
<b>Balance previously reported:-</b>		2,806,187
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Inventory for Water previously not recorded credited to Accumulated Surplus / (Deficit) (See 25.21 below)		473,460
<b>Implementation of GAMAP:-</b>		<u><b>3,279,647</b></u>
 <b>25.14 Debtors</b>		
<b>Balance previously reported:-</b>		142,485,265
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Amount transferred from Deferred Charges (See 25.12 above)		29,731
Amount transferred from Bank (See 25.17 below)		1,053
VAT balances transferred to VAT (See 25.9 above)		(10,012,414)
Accrued Interest transferred to Investments (See 25.10 above)		(3,996,368)
Amount transferred to Long-term Receivables (See 25.11 above)		(29,331)
Amount transferred to Service Debtors		(53,673,825)
<b>Debtors as at 30 June 2004 restated to comply with GAMAP</b>		<u><b>74,804,110</b></u>
 <b>25.15 Provision for Bad Debts</b>		
<b>Balance previously reported:-</b>		<u><b>19,893,942</b></u>
<b>Implementation of GAMAP:-</b>		<u><b>19,893,942</b></u>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>25.16 Short-term Investment Deposits</b>		
<b>Balance previously reported:-</b>		-
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Amount transferred from Bank and Cash (See 25.17 below)		109,358,756
<b>Short-term Investment Deposits as at 30 June 2004 restated to comply with GAMAP</b>		<u><b>109,358,756</b></u>
 <b>25.17 Bank and Cash</b>		
<b>Balance previously reported:-</b>		157,866,379
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Amount transferred to Debtors (See 25.14 above)		(1,053)
Amount transferred to Short-term Investment Deposits (See 25.16 above)		(109,358,756)
<b>Bank and Cash as at 30 June 2004 restated to comply with GAMAP</b>		<u><b>48,506,569</b></u>
 <b>25.18 Non-current Provisions</b>		
<b>Balance previously reported:-</b>		-
<b>Implementation of GAMAP:-</b>		
Transferred from Accumulated Surplus/(Deficit) (See 25.21 below)		-
Cleaning up of Illegal Dumping		-
Clearing out of Alien Vegetation		-
Long-term Service		-
Post Retirement Benefits		-
Rehabilitation of Tip Sites		-
<b>Total</b>		<u><b>-</b></u>
 <b>25.19 Property, Plant and Equipment</b>		
<b>Balance previously reported:-</b>		368,740,215
<b>Implementation of GAMAP:-</b>		
Difference between Ledger Balance and Fixed Asset Register take-on debited to Accumulated Surplus / (Deficit) (See 25.21 below)		(2,188,239)
<b>Total</b>		<u><b>366,551,976</b></u>
 <b>25.20 Accumulated Depreciation</b>		
<b>Balance previously reported:-</b>		-
<b>Implementation of GAMAP:-</b>		
Backlog Depreciation: Land and Buildings		3,415,649
Backlog Depreciation: Infrastructure		117,164,156
Backlog Depreciation: Community Assets		306,559
Backlog Depreciation: Other Assets		19,829,724
<b>Total (Debited to Accumulated Surplus/(Deficit) (See 25.21 below)</b>		<u><b>140,716,088</b></u>

**UGU DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>25.21 Accumulated Surplus/(Deficit)</b>		
<b>Balance previously reported:-</b>		<b>21,840,570</b>
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Transferred from Statutory Funds (See 25.1 above)		66,323,464
Transferred from Reserves (See 25.3 above)		47,324,627
Transferred from Inventory (See 25.13 above)		473,460
Transferred from Loans Redeemed and Other Capital Receipts (See 25.2 above)		39,025,977
Difference in Property, Plant and Equipment and Ledger now recorded (See 25.17 above)		(2,188,239)
Backlog Depreciation (See 25.20 above)		(140,716,088)
<b>Total</b>		<b><u>32,083,771</u></b>
<b>25.22 Surplus/(Deficit) for the year</b>		
<b>Balance previously reported:-</b>		<b>(2,231,155)</b>
<b>Plus/(Minus): Adjustments Made:-</b>		
Trade Creditors Suspense Account		(303,357)
Unclaimed VAT Suspense Account		36,671
<b>Plus/(Minus): Implementation of GAMAP:-</b>		
Add: Income now to be included under GAMAP:-		
Interest Earned on External Investments		4,158,546
Contributions received from Public		1,698,595
Deduct: Expenditure now to be included under GAMAP:-		
Depreciation		(21,661,028)
Add: Non GAMAP-compliant Expenditure:-		
Adjustment for increase in Inventory for Water		23,209
Loan Redemption Costs		20,830,215
Contribution to Capital Development Fund		4,759,340
Contribution to Loan Redemption Fund		3,911,321
Capital Expenditure from Income		12,115,022
Deduct: Non GAMAP-compliant Income:-		
Grant transactions previously duplicated in accounting system		(2,928,204)
<b>Surplus/(Deficit) for 2004/2005 restated to comply with GAMAP</b>		<b><u>20,409,173</u></b>

**26 CORRECTION OF ERROR**

Corrections were made during the year and appropriated to the Accumulated Surplus Account.

Details of the appropriations are as follows:

Corrections to Creditors	(444,964)	899,949
Corrections to Debtors	(2,375,142)	(4,176)
Corrections to Expenditure	3,725,267	(188,847)
Corrections to Income	(237,512)	(35,881)
Adjustment of purchases of PPE to Fixed Asset Register		513,355
Adjustment of redemption of External Loan from previous Loan Redemption Fund	(10,000,000)	-
Adjustment of Lease Payment on Vehicle for 2004/2005	(38,905)	-
<b>Decrease in accumulated surplus</b>	<b><u>(9,371,255)</u></b>	<b><u>1,184,400</u></b>



**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>27 CASH GENERATED BY OPERATIONS</b>		
Surplus for the Year	72,733,319	20,409,173
Adjustment for:		
Correction of prior year Error	(9,371,255)	1,184,400
Change in Accounting Policy	-	-
Depreciation	22,428,841	21,661,028
Contribution to Bad Debt Provision	4,596,712	4,309,499
Bad Debts Recovered	16,068	(6,772,987)
Investment Income	(13,957,286)	(10,922,329)
Interest Paid	8,414,306	9,724,734
<b>Operating surplus before working capital changes</b>	<b>84,860,704</b>	<b>39,593,518</b>
 (Increase)/Decrease in Inventories	 69,353	 (235,938)
(Increase)/Decrease in Debtors	(3,684,994)	1,764,004
(Increase)/Decrease in Other Debtors	34,132,793	(4,926,575)
(Increase)/Decrease in VAT	1,615,683	(7,235,061)
Increase/(Decrease) in Provisions	20,074	26,125
Increase/(Decrease) in Conditional Grants and Receipts	24,378,094	4,644,828
Increase/(Decrease) in Creditors	(30,082,095)	12,392,549
 <b>Cash generated by / (utilised in) operations</b>	 <b>111,309,612</b>	 <b>46,023,450</b>

**28 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank Balances and Cash	26,145,610	51,254,935
Bank Overdraft	-	(25)
<b>Total Cash and Cash Equivalents</b>	<b>26,145,610</b>	<b>51,254,910</b>

**29 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities (See Note 1)	71,822,431	84,685,709
Used to finance Property, Plant and Equipment - at cost	71,822,431	84,685,709
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 1, 9 and 14)	22,912,069	28,261,169
<b>Cash invested for Repayment of Long-term Liabilities</b>	<b>22,912,069</b>	<b>28,261,169</b>

External loans have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on redemption date.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>30 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		

**30.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 35)	-	-
Transfer to receivables for recovery (see Note 13)	-	-
Unauthorised Expenditure awaiting authorisation	<u>-</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>None</i>	<i>None</i>

**30.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	-
Fruitless and Wasteful Expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 35)	-	-
Transfer to receivables for recovery (see Note 13)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>None</i>	<i>None</i>

**30.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

Opening balance	232,102	94,044
Irregular Expenditure current year	69,593	138,058
Condoned or written off by Council	-	-
Recovered	(301,695)	-
To be recovered – contingent asset (see note 35)	-	-
Transfer to receivables for recovery (see Note 13)	-	-
Irregular Expenditure awaiting condonement	<u>-</u>	<u>232,102</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Overpayment of Councillor Allowances. (See Note 20 for more information.)</i>	<i>None</i>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b><u>31.1 Contributions to organised local government - SALGA</u></b>		
Opening Balance	-	-
Council Subscriptions	441,585	474,859
Amount Paid - current year	(441,585)	(474,859)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>

<b><u>31.2 Audit Fees</u></b>		
Opening Balance	-	-
Current year Audit Fee	1,265,989	585,644
Amount Paid - current year	(1,254,921)	(585,644)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b>11,068</b>	<b>-</b>

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2006 and is payable by 31 July 2006.

**31.3 VAT**  
VAT inputs receivables and VAT outputs receivables are shown in Note 7. All VAT returns have been submitted by the due date throughout the year.

<b><u>31.4 PAYE and UIF</u></b>		
Opening Balance	-	-
Current year Payroll Deductions	13,357,267	15,846,409
Amount Paid - current year	(13,357,096)	(15,846,409)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b>172</b>	<b>-</b>

The balance represents PAYE and UIF deducted from the June 2006 payroll. These amounts were paid during July 2006.

<b><u>31.5 Pension and Medical Aid Deductions</u></b>		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	16,529,628	18,695,713
Amount Paid - current year	(16,545,689)	(18,695,713)
Amount Paid - previous years	-	-
<b>Balance Overpaid (included in Creditors)</b>	<b>(16,061)</b>	<b>-</b>

The balance represents an over payment of Pension and Medical Aid contributions deducted from employees and councillors in the June 2006 payroll, as well as the municipality's contributions to these funds. These amounts were corrected during July 2006.

**31.6 Councillor's arrear Consumer Accounts**  
The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
<b>30 June 2006</b>			
Councillor Lubanyana BT	2,279	366	1,913
Councillor Gumede NH	849	810	39
Councillor Zuma SM	2,846	190	2,656
<b>Total Councillor Arrear Consumer Accounts</b>	<b>5,974</b>	<b>1,366</b>	<b>4,608</b>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

		2006 R	2005 R
	Total	Outstanding up to 90 days	Outstanding more than 90 days
<b>30 June 2005</b>			
None	-	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	-	-	-

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing > 90 Days
<b>30 June 2006</b>		
Councillor Zuma SM	3,008	
<b>30 June 2005</b>		
None	-	> 90 Days

**31.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

No known matters existed at reporting date.

**32 CAPITAL COMMITMENTS**

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	30,413,399	59,693,574
<i>Infrastructure</i>	23,216,857	59,693,574
<i>Community</i>	1,396,039	-
<i>Heritage</i>	-	-
<i>Other</i>	5,800,503	-
<i>Housing Development Fund</i>	-	-
<i>Investment Properties</i>	-	-
- Approved but Not Yet contracted for:-	25,523,092	-
<i>Infrastructure</i>	25,523,092	-
<i>Community</i>	-	-
<i>Heritage</i>	-	-
<i>Other</i>	-	-
<i>Housing Development Fund</i>	-	-
<i>Investment Properties</i>	-	-
<b>Total Capital Commitments</b>	<b>55,936,491</b>	<b>59,693,574</b>

This expenditure will be financed from:

External Loans	15,688,321	-
Government Grants	27,401,200	59,693,574
Own Resources	12,846,969	-
	<b>55,936,491</b>	<b>59,693,574</b>

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

<b>2006</b>	<b>2005</b>
<b>R</b>	<b>R</b>

**33 RETIREMENT BENEFIT INFORMATION**

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. These funds are subject to a triennial actuarial valuation.

**Retirement Fund:-** The last valuation performed for the period ended 31 March 2005 revealed that the fund had a shortfall of R202,9 million which will be taken into account in determining future surcharges, to be met by increased employer contributions.

**Superannuation Fund:-** The last valuation performed for the period ended 31 March 2005 revealed that the fund had a shortfall of R224,7 million which will be taken into account in determining future surcharges, to be met by increased employer contributions.

**Provident Fund:-** The last valuation performed for the period ended 31 March 2005 indicated that the fund is in a sound financial position.

An amount of R8,5 million (2005: R8,3 million) was contributed by Council in respect of employees retirement funding. These contributions have been expensed.

**34 CONTINGENT LIABILITIES**

**34.1 Guarantee in favour of Hibiscus Coast Municipality:**

The municipality issued a bank guarantee in the amount of R10 000 in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the municipality.

**34.2 Guarantee in favour of Eskom:**

The municipality issued a bank guarantee in the amount of R2 852 000 in favour of Eskom to cover deposits on the electricity accounts of the municipality.

**34.3 Guarantee in favour of McGarr Preston & Co Trust:**

The municipality issued a letter of undertaking to Mc Garr Preston & Co Trust for the purchase of Portion 7 and Portion 14 of Farm Lot RA No 5100 in the extent of 47.7 hectares.

**34.4 Legal Cases:**

(i) Council is involved in a court case with Mr TM Mabika relating to unfair dismissal. At this stage it is not possible to quantify any possible losses to the municipality.

(ii) Council is involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming an amount of R227 412 in respect of functions performed on behalf of Ezinqoleni Municipality / Horseshoe Farm. Council has filed a notice to defend the matter. The outcome of the legal processes is unknown at this stage.

(iii) Council is involved in a dispute with ARS Investment CC (the applicant), where the applicant is claiming that Council was negligent and caused flood damage estimated at R327 000. Council has handed the documents to its insurer with a view to appoint an attorney to defend the matter. The outcome of the matter is unknown at this stage.

(iv) Council has been part of an enquiry from ABCON / PII.CON Projects into alleged fraud and / or fronting in terms of its Supply Chain Management Policy. The respective attorneys are in the process of preparing written arguments in this matter and therefore the outcome of the allegations is unknown at this stage.

**UGU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

<b>2006</b>	<b>2005</b>
<b>R</b>	<b>R</b>

**35 CONTINGENT ASSET**

No known contingent assets existed at the reporting date.

**36 IN-KIND DONATIONS AND ASSISTANCE**

No in-kind donations and assistance was received.

**37 PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year 2005/2006.

**38 EVENTS AFTER THE REPORTING DATE**

**38.1 Regional Services Levies:**

The Minister of Finance has abolished RSC Levies with effect from 1 July 2006. National Treasury, so as not to create a void of revenue streams for District Municipalities, has allocated grant funding through the Division of Revenue Act over the medium term expenditure framework as a transitional arrangement.

**38.2 Environmental Health Services:**

In accordance with its mandate, Ugu District Municipality has taken over the function of Environmental Health Services from its local municipalities as from 1 July 2006. Discussions are still underway between the municipality and the Provincial Department of Health on the possible transfer of functions related to environmental health from the Provincial Department to the District Municipality.

**39 COMPARISON WITH THE BUDGET**

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

# APPENDIX A

## SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2005	Received during the Period	Redeemed/ Written Off during Period	Balance at 30/06/2006
<b>LOCAL REGISTERED STOCK</b>	<b>R</b>				<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
CMB Nominees	1,500,000	16.75%	37 & 40	31/12/2007	1,500,000	-	-	1,500,000
IINCA	30,000	16.80%	A161	31/12/2007	30,000	-	-	30,000
INCA	18,500,000	16.80%	A162	30/06/2011	18,500,000	-	-	18,500,000
INCA	1,114,081	16.80%	94 & 95	31/12/2007	1,114,081	-	-	1,114,081
INCA	1,800,000	15.60%	91, 92 & 93	30/06/2011	1,800,000	-	-	1,800,000
<b>Total Local Registered Stock</b>	<b>22,944,081</b>				<b>22,944,081</b>	-	-	<b>22,944,081</b>
<b>ANNUITY LOANS</b>								
DBSA	3,194,261	10.00%	-	31/03/2013	2,045,024	-	177,344	1,867,680
DBSA	5,000,000	2.65%	-	-	-	5,000,000	-	5,000,000
DBSA	25,000,000	5.00%	-	-	-	3,161,883	-	3,161,883
DBSA (Ex Hibiscus Coast)	18,573,441	Various	Various	Various	22,645,038	-	807,382	21,837,656
DBSA (Ex Umdoni)	2,500,000	Various	Various	Various	2,439,365	-	185,914	2,253,451
DBSA (Ex Umuziwabantu)	1,850,000	Various	Various	Various	1,465,799	-	109,186	1,356,613
<b>Total Annuity Loans</b>	<b>56,117,702</b>				<b>28,595,226</b>	<b>8,161,883</b>	<b>1,279,825</b>	<b>35,477,283</b>

# APPENDIX A

## SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2005	Received during the Period	Redeemed/ Written Off during Period	Balance at 30/06/2006
	R				R	R	R	R
<b>CAPITAL LEASE LIABILITIES</b>								
ABSA Corporate Bank	14,481,689	14.00%	LSC 3	31/05/2007	12,294,027	-	2,199,692	10,094,335
Ex Hibiscus Coast	-	Fluctuate	-	2006	407,682	-	-	407,682
Wesbank	438,782	Fluctuate	GMK00024L	01/04/2009	-	438,782	21,024	417,758
Wesbank	438,782	Fluctuate	GMK00025K	01/04/2009	-	438,782	21,024	417,758
Wesbank	438,782	Fluctuate	GMK00026J	01/04/2009	-	438,782	21,024	417,758
Wesbank	438,782	Fluctuate	GMK00027H	01/04/2009	-	438,782	21,024	417,758
Wesbank	438,782	Fluctuate	GMK00002A	01/05/2009	-	438,782	10,504	428,278
Wesbank	438,782	Fluctuate	GMK00003X	01/05/2009	-	438,782	-	438,782
Wesbank	483,598	Fluctuate	TYL45387W	31/12/2009	444,693	-	83,736	360,957
<b>Total Capital Lease Liabilities</b>	<b>17,597,978</b>				<b>13,146,403</b>	<b>2,632,691</b>	<b>2,378,027</b>	<b>13,401,067</b>
<b>OTHER LOANS</b>								
SCMB	20,000,000	16.81%		20/03/2006	20,000,000	-	20,000,000	-
<b>Total Local Registered Stock</b>	<b>20,000,000</b>				<b>20,000,000</b>	<b>-</b>	<b>20,000,000</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>116,659,761</b>				<b>84,685,709</b>	<b>10,794,574</b>	<b>23,657,852</b>	<b>71,822,431</b>



# APPENDIX B

## UGU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2006

Description	Cost / Revaluation				Accumulated Depreciation				Carrying Value	Budget Additions 2006
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>										
Land	2,596,084	72,854	-	2,668,938	-	-	-	-	2,668,938	480,000
Office Buildings	13,205,461	327,179	-	13,532,641	2,483,518	439,040	-	2,922,558	10,610,083	
Workshops and Depots	3,460,858	-	-	3,460,858	1,463,614	115,153	-	1,578,767	1,882,091	
	19,262,403	400,033	-	19,662,436	3,947,132	554,193	-	4,501,325	15,161,111	480,000
<b>Infrastructure</b>										
Security Measures:										
Access Control	34,230	-	-	34,230	26,700	3,664	-	30,364	3,866	
Fencing	124,104	-	-	124,104	103,174	14,096	-	119,269	4,835	
Security Systems	112,005	-	-	112,005	90,266	11,281	-	101,548	10,457	
Sewerage:										
Pumps	617,700	117,970	-	735,670	176,399	43,237	-	219,636	516,034	
Purification Works	56,983,799	3,922,002	-	60,905,801	35,811,217	2,465,552	-	38,276,769	22,629,033	12,037,000
Sewers	24,394,762	3,559,520	-	27,954,282	3,453,952	1,196,169	-	4,650,122	23,304,160	
Water:										
Mains	88,934,241	3,652,034	-	92,586,275	44,868,604	4,008,228	-	48,876,831	43,709,444	5,850,000
Meters	15,402,512	220,579	-	15,623,091	4,202,406	1,000,176	-	5,202,582	10,420,509	800,000
Reservoirs and Tanks	51,742,191	6,050	-	51,748,241	20,687,101	2,406,314	-	23,093,415	28,654,826	
Supply and Reticulation	78,239,063	50,990,846	-	129,229,910	22,569,893	3,730,038	-	26,299,930	102,929,979	2,800,000
	316,584,608	62,469,001	-	379,053,609	131,991,711	14,878,755	-	146,870,466	232,183,143	21,487,000
<b>Community Assets</b>										
Recreational Facilities:										
Lakes and Dams	3,100,469	-	-	3,100,469	454,255	147,696	-	601,950	2,498,519	
Other Facilities:										
Markets	6,804,938	12,387,707	-	19,192,645	-	-	-	-	19,192,645	
	9,905,407	12,387,707	-	22,293,114	454,255	147,696	-	601,950	21,691,164	-
<b>Other Assets</b>										
Furniture and Fittings:										
Cabinets and Cupboards	431,876	145,142	-	577,019	257,796	54,572	-	312,368	264,651	
Chairs	478,899	180,590	-	659,490	265,166	61,057	-	326,223	333,267	
Other Furniture	905,690	146,054	-	1,051,744	665,697	62,921	-	728,618	323,127	263,000
Tables and Desks	410,445	107,668	-	518,113	254,406	45,376	-	299,782	218,331	

# APPENDIX B

## UGU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2006

Description	Cost / Revaluation				Accumulated Depreciation				Carrying Value	Budget Additions 2006
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		
	R	R	R	R	R	R	R	R	R	R
<i>Motor Vehicles:</i>										
Motor Cars	1,641,681	11,745	-	-	1,653,426	1,090,353	271,767	-	1,362,120	291,306
Motor Cycles	145,041	-	-	-	145,041	112,063	32,778	-	144,841	200
Trucks and Bakkies	21,633,926	4,785,280	-	-	26,419,206	11,837,916	3,527,872	-	15,365,788	11,053,419
<i>Office Equipment:</i>										
Air Conditioners	469,669	107,349	-	-	577,018	336,849	52,816	-	389,665	187,353
Computer Hardware	5,697,636	2,887,970	-	-	8,585,605	3,185,822	1,029,275	-	4,215,097	4,370,508
Computer Software	1,784,364	4,295,497	-	-	6,079,861	1,459,049	343,827	-	1,802,876	4,276,985
Office Machines	179,354	28,462	-	-	207,816	155,184	20,563	-	176,146	31,670
<i>Plant and Equipment:</i>										
Compressors	99,671	7,500	-	-	107,171	92,040	3,042	-	95,082	12,089
Graders	528,708	-	-	-	528,708	354,452	30,475	-	384,927	143,781
Laboratory Equipment	232,591	77,955	-	-	310,546	180,286	35,538	-	215,824	94,722
Lawnmowers	381,699	10,354	-	-	392,053	327,426	55,433	-	382,859	9,193
Other Plant and Equipment	7,490,701	1,111,717	-	-	8,602,418	4,615,836	1,045,389	-	5,661,225	2,941,193
Radio Equipment	826,901	15,393	-	-	842,293	530,314	100,006	-	630,321	211,973
Telecommunication Equipment	36,872	-	-	-	36,872	34,547	679	-	35,226	1,646
Tractors	708,456	-	-	-	708,456	225,718	70,846	-	296,564	411,893
<i>Watercraft:</i>										
Watercraft	240	21,901	-	-	22,141	239	1,212	-	1,451	20,690
<i>Other Assets:</i>										
Laboratories	70,635	-	-	-	70,635	2,858	2,354	-	5,212	65,422
<b>Total</b>	<b>44,155,055</b>	<b>13,940,577</b>	<b>-</b>	<b>-</b>	<b>58,095,633</b>	<b>25,984,018</b>	<b>6,848,197</b>	<b>-</b>	<b>32,832,215</b>	<b>14,282,500</b>
	<b>389,907,474</b>	<b>89,197,318</b>	<b>-</b>	<b>-</b>	<b>479,104,793</b>	<b>162,377,116</b>	<b>22,428,841</b>	<b>-</b>	<b>184,805,956</b>	<b>36,249,500</b>

**HUGH DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2006**

Total	389,907,474	89,197,318	-	-	479,104,793	162,377,116	22,428,841	-	184,805,956	294,298,836
-------	-------------	------------	---	---	-------------	-------------	------------	---	-------------	-------------

**APPENDIX D**  
**UGU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF**  
**FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006**

2005 Actual Income	2005 Actual Expenditure	2005 Surplus/ (Deficit)	Description	2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (Deficit)
R	R	R		R	R	R
32,611,189	22,276,265	10,334,923	Executive and Council	28,757,327	23,779,136	4,978,191
-	1,384,335	(1,384,335)	Finance and Administration	-	1,669,034	(1,669,034)
168,742,432	183,794,038	(15,051,606)	Planning and Development	194,960,018	146,850,284	48,109,734
36,140,032	32,156,688	3,983,344	Waste Management	47,839,000	43,053,540	4,785,460
163,768,221	141,241,374	22,526,847	Water	162,774,481	146,245,514	16,528,967
401,261,873	380,852,700	20,409,173	Sub-Total	434,330,826	361,597,507	72,733,319
-	-	-	Less: Inter-departmental Charges	-	-	-
401,261,873	380,852,700	20,409,173	Total	434,330,826	361,597,507	72,733,319

**APPENDIX E(1)**  
**UGU DISTRICT MUNICIPALITY**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006**

Description	2005/2006 Actual R	2005/2006 Budget R	2005/2006 Variance R	2005/2006 Variance %	Explanation of Significant Variances Greater than 10% versus Budget
<b>REVENUE</b>					
Service Charges	182,934,973	165,741,612	17,193,361	9.40	
Regional Service Levies - Turnover	14,961,970	19,000,000	(4,038,030)	(26.99)	Reluctancy to register and pay after announcement of abolishment of levy
Regional Service Levies - Remuneration	10,280,723	14,073,086	(3,794,361)	(36.91)	Reluctancy to register and pay after announcement of abolishment of levy
Rental of Facilities and Equipment	187,942	278,000	(90,058)	(47.92)	Over budgeted for rental income from cell phone operators
Interest Earned - External Investments	13,340,711	6,961,621	6,379,090	47.82	All interest income now has to be included in the performance statement
Interest Earned - Outstanding debtors	616,575	362,482	254,093	41.21	Penalty tariffs were introduced during the drought period
Government Grants and Subsidies	185,743,805	200,399,185	(14,655,380)	(7.89)	
Other Income	26,191,272	28,783,532	(2,592,260)	(9.90)	
Public Contributions and Donations	72,854	-	72,854	100.00	All public contributions now to be included in performance statement
<b>Total Revenue</b>	<b>434,330,826</b>	<b>435,601,518</b>	<b>(1,270,692)</b>	<b>(0.29)</b>	
<b>EXPENDITURE</b>					
Employee Related Costs	86,492,518	94,440,478	(7,947,960)	(9.19)	
Remuneration of Councillors	3,420,664	3,249,340	171,324	5.01	
Bad Debts	4,596,712	3,000,000	1,596,712	34.74	Increased contribution to align provision to outstanding debtors
Collection Costs	770,586	750,000	20,586	2.67	
Depreciation	22,428,841	14,090,076	8,338,765	37.18	Budgeted for capital redemption - not aligned to GRAP-format
Repairs and Maintenance	12,458,472	10,141,850	2,316,622	18.59	Increased maintenance experienced on ageing infrastructure
Interest Paid	8,414,306	21,376,594	(12,962,288)	(154.05)	Internal interest now has to be excluded from the performance statement
Bulk Purchases	10,762,952	9,000,000	1,762,952	16.38	Increased purchases as a result of drought relief program to rural areas
Contracted Services	7,212,781	9,770,581	(2,557,800)	(35.46)	Services budgeted for office decentralisation not utilised
Grants and Subsidies Paid	158,130,998	205,426,853	(47,295,855)	(29.91)	All capital expenditure now to be excluded from performance statement
General Expenses	46,908,679	64,365,745	(17,457,066)	(37.22)	Actual expenditure was lower than budget due to strict budget control
<b>Total Expenditure</b>	<b>361,897,507</b>	<b>435,611,517</b>	<b>(74,014,010)</b>	<b>(16.99)</b>	
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>72,733,319</b>	<b>(9,999)</b>	<b>72,743,318</b>		

**APPENDIX E(2)**  
**UGU DISTRICT MUNICIPALITY : ACTUAL VERSUS BUDGET**

**(ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006**

Description	2005/2006	2005/2006	2005/2006	2005/2006	2005/2006	2005/2006	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance %	
	R	R	R	R	R	%	
<b>Infrastructure</b>							
Executive and Council	393,251		393,251	375,000	18,251	4.87	
Finance and Administration	68,003,614		68,003,614	7,882,500	60,121,114	762.72	MIG projects not included in budget
Planning and Development	311,324		311,324	300,000	11,324	3.77	
Public Safety	76,326		76,326	75,000	1,326	1.77	
Waste Management	10,247,500		10,247,500	13,087,000	(2,839,500)	(21.70)	Projects budgeted for not completed in financial year
Water	10,165,304		10,165,304	14,530,000	(4,364,696)	(30.04)	Projects budgeted for not completed in financial year
<b>Total</b>	<b>89,197,318</b>	<b>-</b>	<b>89,197,318</b>	<b>36,249,500</b>	<b>52,947,818</b>	<b>146.06</b>	

APPENDIX F

UGU DISTRICT MUNICIPALITY : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below: Yes / No	Reason for Non-compliance
		June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		
FMG	Nat Treasury	0	0	0	0	0	65,578	65,578	65,578	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sport and Recreation	Dept Sport & Rec	0	375,000	0	975,000	478,273	534,957	122,658	432,700	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Ugu Agricultural Market	Dept Agriculture	0	0	0	8,000,000	0	1,216,227	2,304,092	2,754,175	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Gijima	DEAT	0	0	0	0	616,098	0	0	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Provincial	DLGTA	2,520,000	1,136,794	530,000	9,159,000	2,460,274	1,858,631	2,294,831	3,388,309	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various National	EPLG	49,364,182	53,619,745	50,736,975	40,997,567	31,731,630	44,384,789	44,904,158	35,662,867	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF	DWAF	0	250,000	0	0	2,360,000	206,680	0	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>51,884,182</b>	<b>55,381,539</b>	<b>51,266,975</b>	<b>59,131,567</b>	<b>37,168,002</b>	<b>48,266,862</b>	<b>49,691,317</b>	<b>42,303,629</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		

(\*) Did your municipality comply with the grant conditions in terms of Grant Funding in the Grant Deed or Revenue Act?